



# Brazil: The Toy Industry

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## Summary

In 2008, the Brazilian toy market was estimated at R\$940 million (approx. US\$437 million) – an 8.4% rise from 2007.

On June 30, 2006, Brazil eliminated a 70% tax on toy imports that had been previously authorized by the World Trade Organization as a safeguard measure. This will remain an ongoing dispute however because Brazilian manufacturers have since requested a new measure to limit imports from China.

The Brazilian Toy Manufacturers Association (ABRINQ) has been working hard to protect the industry from piracy, under-invoicing and illegal imports. Local manufacturers have modernized operations and improved productivity, but fraud and piracy still prevail.

To succeed in Brazil, US manufacturers should establish a local presence or have a local agent/distributor. The US Commercial Service in Brazil can help US companies find such business partners.



## Market Demand

Since Brazil's adoption of the Real (*hey-al*) Plan (a set of government measures taken to curb inflation and strengthen the central bank in 1994), the country has experienced a period of economic stability. Purchases of non-essential items such as toys are a good indicator of the current level of Brazil's consumer demand. The range of products is wide, many means of payment are available to the consumer and Brazil's consumers have access to all items available abroad.

Toys and Video Games World Market		
Year	US\$ Billion	%
2006	67.0	5.2
2007	70.4	5.1
2008	72.1	2.4

Brazilian Market Data			
	2006	2007	2008
Revenue (US\$ millions)	398.0	403.0	470.0
# of new toys launched	1,834	1,200	1,500
# of toys designed	8,000	5,300	6,550
# of different toys in Brazil	4,300	4,400	4,500
# of manufactures	280	318	441
Imports (US\$ millions)	411.7	683.0	786.6
Exports (US\$ millions)	9.7	9.5	12.1
# of toys valued above US\$25.00	50.0%	16.3%	17.4%
# of toy workers employed	19,000	22,640	24,000

US\$1.00 = R\$2.00

Source: ABRINQ, SECEX

The Brazilian Toy Industry generated US\$470 million in 2008. The sector contains 441 manufacturers and directly accounts for 24,000 jobs. Sector-related employment increased 6% from 2007 to 2008.

#### Product variety key to high volume sales

All companies in the traditional toy market utilize a wide range of product lines and high levels of innovation, illustrated through the frequent release of new toys onto the market. Entertainment industries marketing to youth change rapidly (with new films, TV series, comics, etc.) and will inspire the “next wave” of products, in both traditional toy and the video game markets. In addition to the high-volume software market, video game suppliers are finding that increased interaction and character variety is necessary to increase the “realism” of the gaming experience.

The chart below represents imports in Brazil of toys and electronic games from a variety of countries using HS Codes using Mercosur Common Nomenclature (NCM) 9501.0000 to 9504.1010

Country	2006 (US\$ FOB)	2007 (US\$ FOB)	2008 (US\$ FOB)
China	116,619,990	198,567,444	243,967,894
Hong Kong	9,974,714	11,618,151	13,925,098
Malaysia	7,299,055	10,393,735	12,078,843
Indonesia	4,935,131	7,485,952	9,688,032
Thailand	1,867,362	2,658,816	2,762,521
Denmark	1,297,538	1,966,244	2,205,689
Taiwan	630,497	283,323	1,960,126
Vietnam	0	5,345,756	1,695,438
Argentina	853,918	1,311,376	989,798
United States	822,593	888,793	965,428
Germany	94,568	69,981	882,682
Rep. Theca	24,515	18,214	878,708
Italy	437,264	703,398	456,981
Spain	843,406	193,081	387,292
Mexico	408,707	844,938	283,404
Japan	69,482	310,655	280,980
Malta	0	0	263,537
Belgium	0	0	185,314
Subtotal (18 countries)	146,178,640	242,659,857	293,856,765
Other 28 countries	602,044	1,380,981	827,852
<b>Total</b>	<b>146,780,684</b>	<b>244,040,838</b>	<b>294,684,617</b>

Source: ABRINQ

Sales by Group				
	2005	2006	2007	2008
Emotional Development	40.5%	23.0%	26.1%	32.7%
Infant/Newborn	16.8%	16.0%	11.8%	4.4%
Technical World	7.9%	5.0%	6.5%	11.7%
Physical Activities	12.0%	17.0%	10.0%	16.2%
Intellectual Activities	8.4%	14.0%	16.2%	10.8%
Creativity	8.5%	11.0%	12.1%	12.1%
Social Relations	6.8%	14.0%	17.2%	12.1%

Source: ABRINQ, SECEX

### Recent Toy Safeguard Measures

In 1996, Brazil adopted a safeguard to protect the domestic industry against illegal competition. In December 2004, the government passed resolution 35 to extend the safeguard measure for an additional 18 months.

In 2006, the safeguard was eliminated for finished toys under the following HS codes:

9501.00.00, 9502.10.10, 9502.10.90, 9502.91.00, 9502.99.00, 9503.10.00, 9503.20.00, 9503.30.00, 9503.41.00, 9503.49.00, 9503.50.00, 9503.60.00, 9503.70.00, 9503.80.10, 9503.80.90, 9503.80.20, 9503.90.00, 9504.10.10, 9504.10.91, 9504.10.99.

(According to Mercosur Common Nomenclature, NCM, within the Common External Tariff, TEC)



Other industry safety regulations and standards include:

#### The Brazilian Toy Certification Program – The National Institute of Metrology, Standardization and Industrial Quality (INMETRO)

- The Brazilian Standard for Fabrication and Security of Toys (NBR 22786), a regulatory mechanism to maintain quality control for locally manufactured and imported products sold in Brazil, was initiated to help Brazil develop and protect its toy industry.
- Resolution 47 – Instituted obligatory product certification
- Revision 108/20 – Delegated all certification to Mercosur Technical Regulation (RTM) in 2005. In 2007, INMETRO added the Conformity Assessment Procedure after a worldwide crisis in the toy sector. They have plans to update the procedure according to Mercosur regulations by the end of 2009.
- Certification ISO Model 7 – Batch testing for domestic and imported toys. Testing must be done in Brazilian Laboratories.
- Certification ISO Model 5 – Assessment of the Quality Management System and Toy Type Testing of domestic and imported toys.

### Adjustments to the Toy Certification Program (INMETRO)

- Acceptance of testing results from foreign laboratories, that meet INMETRO's certification requirements, or an International Laboratory Accreditation Cooperation (ILAC) certified member – except for certification on Model 7 (batch testing) – in that case, the laboratory must be certified by INMETRO.
- INMETRO, ABRINQ and Brazil's standardization body (ABNT) support the initiative for the international standard development on toy safety.
- INMETRO is willing to work within the scope of Mercosur in regards to the use of international standards for safety toys as a basis for the toy technical regulation in such economic regional block.

### **Trade Balance and Competition**

The Brazilian toy industry has historically maintained a negative trade balance. Toy exports were US\$11.5 million while imports reached US\$294.6 million in 2008.

### Imports from the United States

In 2008, Brazil imported US\$965,428 worth of toys from the United States – an 8% gain over 2007. U.S. exports of toys and games to Brazil originate primarily from intermediate sales to international distributors, who then supply Brazilian retailers.

### Private labels, imported toys, small manufacturers: the new players

The toy market in Brazil has traditionally been characterized by established players' loss of share to smaller companies and increasing market fragmentation. Distributors import toys independently, which leads to a higher share of private label products. In addition, overall imports from Chinese manufacturers expanded on a massive scale after the abolition of the import barriers that had previously protected the domestic market.

However, this trend could change due to recent developments. The federal government is considering a proposal to make Brazil the main toy supplier in Latin America. This development capitalizes on recent decreased competition from the Chinese toy industry, whose reputation has suffered from several recalls of toys manufactured in Chinese factories, the closure of more than 2,000 Chinese toy-manufacturing firms, and increased toy certification requirements for the U.S. and European markets.

### **Market Entry**

The U.S. Commercial Service Brazil offers a series of services for U.S. exporters interested in the Brazilian market. You can obtain them through your nearest U.S. Export Assistance Center at <http://www.export.gov/eac> or through [www.buyusa.gov/brazil](http://www.buyusa.gov/brazil).

The best way to enter the Brazilian market is through an established local distributor. Agents can also be used, though be aware that these relationships are rarely exclusive, at times creating conflicts of interest. Trade fairs are also an excellent opportunity to meet potential clients/partners. For more information on upcoming toy shows in Brazil, click here: [www.abrinq.com.br](http://www.abrinq.com.br).

## Market Issues & Obstacles

To succeed in Brazil, it is important to learn as much as possible about the country's tax, legal and import regulations and contractual practices to set clear objectives and commit to a medium to long-term strategy. Companies should be prepared to counter short-term difficulties by investing time and resources, partnering with a reputable local firm, and hiring qualified local staff. When choosing a partner, it is crucial to analyze the company's post-sale service capabilities, their geographic distribution and their financing options for potential clients.

Certification of toys intended for children below 14 years old is compulsory for both domestic and foreign-manufactured products in Brazil. For a list of Brazil's certified laboratories, visit INMETRO's website at: [www.inmetro.gov.br](http://www.inmetro.gov.br).



All products imported into Brazil are subject to Brazil's import procedures and fees, which are managed through the computerized system SISCOMEX (Trade Foreign System). SISCOMEX simplifies the import procedures by reducing the amount of paperwork and information required by customs.

U.S. companies should be familiar with any Brazilian standards associated with their products, as noncompliance could result in their goods being held from entry. Brazilian legislation requires Portuguese translation of all technical manuals and restricts the import of used equipment, parts and accessories.

## Seasonality

The two major gift-giving holidays in Brazil for children are:

October 12: Children's Day  
December 25: Christmas

Revenue from Children's Day accounts for 35% of annual sales, while Christmas accounts for approximately 31%.



## Trade Events

- The Brazilian Toy Fair (ABRIN) – The largest toy fair in Latin America; held every April in São Paulo at Shopping Center Norte.
- Shopping Metrô – Previous events were held on August 21 – 31, 2008 at Metro Boulevard Shopping Center and September 23 – 28, 2008 at Metro Santa Cruz Shopping Center. Many toys from different brands were displayed in the shopping malls and a total of 3,000 people visited the exhibitions. The Brazilian Toy Association is currently organizing two more similar events, tentatively planned for October 2009. Locations for these events have not yet been announced, as the Association is still considering various potential shopping malls.



## Resources & Contacts

### **ABRINQ – Brazilian Toy Manufacturers Association**

Address: Av. Santo Amaro, 1386, 3<sup>rd</sup> floor  
04.605-001, São Paulo, SP  
Tel: 55 11 3238-1950  
Web: [www.abring.com.br](http://www.abring.com.br)  
E-mail: [abring@abring.com.br](mailto:abring@abring.com.br)

### **INMETRO – National Institute of Metrology Standardization and Industrial Quality**

Address: Rua Santa Alexandrina, 116  
20.261-232, Rio de Janeiro, RJ  
Tel: 55 21 2563-2800  
Web: [www.inmetro.gov.br](http://www.inmetro.gov.br)

### **SECEX – Trade, Industry and Development Ministry**

Address: Foreign Trade Secretariat  
Esplanada dos Ministérios, Bloco J  
70.053-900, Brasília, DF  
Tel: 55 61 2109-7000  
Web: [www.desenvolvimento.gov.br/sitio/secex](http://www.desenvolvimento.gov.br/sitio/secex)

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The U.S. Commercial Service in Rio de Janeiro, Brazil can be contacted via e-mail at: [maria.luiza.leal@mail.doc.gov](mailto:maria.luiza.leal@mail.doc.gov); phone: 55 21 3823-2417; Fax: 55 21 3823-2424; or through our website: [www.focusbrazil.org.br](http://www.focusbrazil.org.br)

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